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Majority Leader Harry Reid, Nevada Democrat, and Minority Leader Mitch McConnell, Kentucky Republican, said the measure will contain the \$700 billion financial market rescue plan that failed in the House Monday, plus a provision to increase the federal deposit insurance limits to \$250,000 from \$100,000.

It also will include a tax cut package rejected by the House on Monday, which calls for eliminating certain business and energy-related taxes and the alternative minimum tax, which is set to hit about 22 million Americans with about a \$2,000 tax increase.

The move may be popular with Republicans, but House Democratic leaders have insisted on paying for the cuts by raising taxes elsewhere.

Two House leaders said Wednesday headway is being made toward getting the \$700 billion financial industry rescue bill through Congress, thanks partly to a provision increasing insurance for people's deposits.

"I think the Senate thinks it has the votes and I think it probably will pass," House Majority Leader Steny Hoyer, D-Md., said. House Republican Whip Roy Blunt of Missouri agreed that prospects for passage have improved, and he said he was particularly heartened by indications the legislation has become more appealing to constituents back home.

Mr. Blunt told NBC one of the reasons he is more optimistic is that lawmakers are hearing less vocal opposition from their districts. He said that calls and e-mails to congressional offices that were running about 90 percent against the measure earlier now are at about "50-50."

After falling sharply Monday after the stunning 228-205 House vote against the bailout proposal, world markets staged a rally Tuesday, partially undercutting arguments from Mr. Bush and top congressional leaders that Congress must act quickly.

Wall Street snapped back Tuesday after its biggest sell-off in years, as the Dow Jones industrials regained 485 points of the record 778 it lost Monday. The S&P index of 500 major stocks was up 58.32 points to 1,164.

The credit markets remained stressed, however, with banks and corporations still having great difficulty obtaining loans. Interest rates on loans between banks soared to unprecedented levels as banks and corporations scrambled to secure financing at the end-of-quarter deadline for rolling over debts.

Still, several lawmakers said that after being flooded in the run-up to Monday's vote with angry messages opposing the bailout, public sentiment was shifting the other way.

"What's happening is that it's sinking in to people that this crisis isn't just for Wall Street, that it could impact them in a negative way," said **Rep. John Campbell**, California Republican, who voted for the bill.

A top House Republican aide said even several party members were reconsidering the package in light of the market and voter reaction.

"It was like the dog who chased the car," the aide said. "Well, they caught it. Now what?"

Senate banking committee Chairman Christopher J. Dodd, the Connecticut Democrat who was a key architect of the compromise, told reporters, "I'm told a number of people who voted 'no' yesterday are having serious second thoughts about it."

He added, however, "There's no game plan that's been decided."

Earlier Tuesday, both Republican presidential nominee John McCain and his Democratic rival, Barack Obama, endorsed raising the federal deposit insurance on bank deposits to \$250,000. The change could reassure nervous Americans - and hence their elected representatives at the Capitol - that the legislation would shore up the faltering economy.

Mr. McCain and Mr. Obama, as well as Democratic vice-presidential candidate Sen. Joseph R. Biden Jr., are expected to be in Washington for Wednesday's Senate vote.

Also being discussed on Capitol Hill are other sweeteners, including allowing companies to repatriate foreign earnings to the U.S. tax-free to buy distressed assets or to extend a write-off for operating losses.

The House, on break for the Rosh Hashana observance, is scheduled to meet again Thursday, though it's not clear whether they'll have a new agreement on which to vote.

With his own party leading the revolt against the bill, Mr. Bush made another public appeal for passage of the \$700 billion package, after conferring with Mr. McCain and Mr. Obama. He said Monday's stock-market losses of \$1 trillion dwarfed the rescue's price tag.

"The dramatic drop in the stock market that we saw yesterday will have a direct impact on retirement accounts, pension funds and personal savings of millions of our citizens," Mr. Bush said. "And if our nation continues on this course, the economic damage will be painful and lasting."

But many House members who rejected the proposal said Tuesday that their consciences were clear.

"I have no regrets for doing my job - none," said Rep. Elijah E. Cummings, Maryland Democrat. "Sometimes the train needs to be slowed down so that you can get it on track."

Mr. Cummings - along with Rep. Peter A. DeFazio, Oregon Democrat, and several other liberal colleagues - on Tuesday proposed alternatives to the rescue plan that included changes to federal accounting rules and increasing the Federal Deposit Insurance Corp. limit to \$250,000 from \$100,000.

By Tuesday afternoon, FDIC Chairman Sheila Bair officially asked Congress for temporary authority to raise the limit by an unspecified amount.

House Minority Leader John A. Boehner, Ohio Republican, praised the proposal, saying Republicans had suggested the higher cap during negotiations on the bailout bill but had been rebuffed by Democrats. Mr. Obama beat Mr. McCain to the punch in declaring the insurance adjustment.

Republicans said the FDIC proposal might attract lawmakers on the left and right who want to help small-business owners and avert runs on banks by customers fearful of losing their savings.

Another proposed change to the bill would call on regulators to modify "mark to market" accounting rules. Such rules require banks and other financial institutions to adjust the value of their assets to reflect current market prices, even if they plan to hold the assets for years.

Some House Republicans say current rules forced banks to report huge paper losses on mortgage-backed securities, which might have been avoided.

Moves that might attract more liberal Democratic support include giving bankruptcy judges more authority to rewrite mortgage terms and "cram-down" interest rates for homeowners threatened with foreclosure, which Republicans considered a deal-breaker in the original bill.

Democrats could also resurrect provisions to fund homeowner assistance through the liberal Association of Community Organizations for Reform Now (ACORN), add a transaction fee to stock trades to raise money for assistance programs, and extend unemployment insurance benefits.

Those moves might attract liberal black and Hispanic lawmakers who mostly opposed the bill Monday but would almost certainly cause more House Republicans to vote against the deal.

A day after House Speaker Nancy Pelosi, California Democrat, was accused by Republicans of scuttling the vote with a highly partisan floor speech, Democrats on Tuesday made several public attempts to show they are willing to work across party lines to reach an agreement.

Mrs. Pelosi and Mr. Reid, in a letter sent to Mr. Bush Tuesday afternoon, pledged to continue "working with you and our Republican colleagues to enact a bipartisan bill without further delay."

Meanwhile, supporters from the White House to the presidential candidates to congressional leaders said they failed in part because they lost the battle of words, and allowed the bill to be called a "bailout." They countered that it is better described as a "rescue" package.